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Attorney for Securities Department

BEFORE THE STATE AUDITOR AND THE COMMISSIONER OF SECURITIES,
HELENA, MONTANA

IN THE MATTER OF:)	
)	CASE NO.:SEC-2008-5
ROTHSCHILD INVESTMENT CORP.)	(02-04-08-262 I)
311 S. Wacker Drive, Suite 6500)	NOTICE OF PROPOSED AGENCY
Chicago, IL 60606,)	DISCIPLINARY ACTION AND
)	OPPORTUNITY FOR HEARING
DONALD ROSEEN, individually and in his)	
capacity acting as a broker-dealer)	
salesperson and investment advisor)	
representative, JOHN B. WELCH,)	
individually and in his capacity acting as a)	
broker-dealer salesperson and investment)	
advisor representative, DALE R. BONGA,)	
individually and in his capacity acting as a)	
broker-dealer salesperson and investment)	
advisor representative, and)	
BART R. BONGA, individually and in his)	
capacity acting as a broker-dealer)	
salesperson and investment advisor)	
representative,)	
)	
Respondents.)	

Staff of the Securities Department (Department) of the office of the State Auditor as Commissioner of Securities of the state of Montana (Commissioner), pursuant to the authority of the Securities Act of Montana, Section 30-10-101, et seq., Montana Code Annotated (2007) (MCA), is proposing to the Commissioner that he take specific action against ROTHSCCHILD INVESTMENT CORPORATION (Rothschild) having its principle place of business at 311 S.

Wacker Drive, Suite 6500, Chicago, Illinois, 60606, and Donald Roseen (Roseen), John B. Welch (Welch), Dale R. Bonga (D. Bonga), and Bart R. Bonga (B. Bonga) as identified above for violations of the Montana Securities Act. The Commissioner has authority to take such action under the provisions of Sections 30-10-102, 30-10-107, 30-10-201, 30-10-301, 30-10-304, 30-10-305, and 30-10-309, MCA.

In particular, the Department's staff recommends specific action against Rothschild, Roseen, Welch, D. Bonga, and B. Bonga, including issuing a cease and desist order, imposition of appropriate fines, appropriate restitution with interest, and denial of their respective registrations pursuant to the provisions of the Montana Securities Act.

Service of process is pursuant to § 30-10-107 (8), MCA.

There is probable cause to believe that the following facts, if true, justify and support such specific action.

ALLEGATIONS

1. Rothschild is an investment advisor firm and broker-dealer firm domiciled in Chicago, Illinois. Rothschild is currently notice filed in Montana as a federal covered adviser. Rothschild is not now nor has it ever been registered with the Montana Securities Department as a broker/dealer firm. On or about January 14, 2008 the firm submitted its application to register as a broker/dealer for the first time in Montana.

2. Rothschild has been sanctioned by numerous states for registration violations and has also been the subject of FINRA disciplinary action as disclosed on FINRA's Central Registration Depository (CRD). Rothschild has been sanctioned for failure to properly register prior to conducting securities business in the following states: Massachusetts, Maryland, Wisconsin, Oregon, and Missouri.

3. Roseen (CRD #3184246) is an investment adviser representative and salesperson for Rothschild. Roseen works at Rothschild's corporate office location. Roseen has never been registered with the Montana Securities Department in any capacity while associated with Rothschild. On or about January 14, 2008 Rothschild submitted applications to the Department to register Roseen as an investment adviser representative and as a salesperson.

4. Welch (CRD #847226) is an investment adviser representative and salesperson for Rothschild. Welch works at Rothschild's corporate office location. Welch has never been registered with the Montana Securities Department in any capacity. On or about January 14, 2008 Rothschild submitted applications to the Department to register Welch as an investment adviser representative and as a salesperson.

5. D. Bonga (CRD #825608) is an investment adviser representative and salesperson for Rothschild. D. Bonga is also an executive vice president for Rothschild. D. Bonga works at Rothschild's corporate office location. D. Bonga has never been registered with the Montana Securities Department in any capacity. On or about January 14, 2008 Rothschild submitted applications to the Department to register D. Bonga as an investment adviser representative and as a salesperson.

6. B. Bonga (CRD #2798234) is an investment adviser representative and salesperson for Rothschild. B. Bonga works at Rothschild's corporate office location. B. Bonga has never been registered with the Montana Securities Department in any capacity. On or about January 14, 2008 Rothschild submitted applications to the Department to register B. Bonga as an investment adviser representative and as a salesperson.

7. A review of the information provided by Rothschild in its application for registration indicates Roseen transacted at least 115 trades in accounts owned by Montana

investors while he was not registered to conduct securities business in Montana. Roseen collected fees and commissions from Montana investors totaling at least \$4,770.79 for the trading he conducted in these accounts without proper registration to conduct securities business in Montana.

8. A review of the information provided by Rothschild in its application for registration indicates Welch transacted at least 272 trades in accounts owned by Montana investors while he was not registered to conduct securities business in Montana. Welch collected fees and commissions from Montana investors totaling at least \$18,635.89 for the trading he conducted in these accounts without proper registration to conduct securities business in Montana.

9. A review of the information provided by Rothschild in its application for registration indicates D. Bonga and B. Bonga, acting as partners, transacted at least 52 trades in accounts owned by Montana investors while they were not registered to conduct securities business in Montana. D. and B. Bonga collected fees and commissions from Montana investors totaling at least \$14,723.06 for the trading they conducted in these accounts without proper registration to conduct securities business in Montana.

10. Additionally, after Rothschild submitted its Form BD to register as a broker-dealer firm, it continued transacting business in Montana clients' accounts. Roseen transacted at least 11 trades, D. & B. Bonga transacted at least 1 trade and Welch transacted at least 3 trades in Montana clients' accounts after January 14, 2008 and are likely continuing to transact business in these accounts without registration to conduct securities business in Montana.

11. Rothschild, through its representatives Roseen, Welch, D. and B. Bonga executed at least 439 transactions in thirteen Montana customer accounts over the past two years charging

commissions and fees totaling at least \$38,129.74 without being registered to conduct securities business as a broker-dealer in Montana.

Based on the foregoing allegations, the Department submits the following:

CONCLUSIONS OF LAW

1. The State Auditor is the Commissioner of Securities (Commissioner) pursuant to § 30-10-107, MCA.
2. The administration of the Securities Act of Montana, Title 30, Chapter 10, Parts 1 through 3, MCA, is under the supervision and control of the Securities Commissioner. Section 30-10-107, MCA.
3. The Securities Act of Montana shall be construed to protect investors, persons engaged in securities transactions, and the public interest. Section 30-10-102, MCA.
4. Rothschild transacted through its agents and employees at least 439 trades in accounts owned by Montana investors without proper registration to conduct securities broker-dealer business in Montana in violation of § 30-10-201, MCA.
5. Rothschild unjustly earned at least \$38,129.74 in fees and commissions by conducting securities broker-dealer business without proper registration to conduct such business in Montana in violation of § 30-10-201, MCA.
6. Roseen transacted at least 115 securities transactions in accounts owned by Montana investors without proper registration or benefit of an exemption as a securities salesperson to conduct such business in Montana in violation of § 30-10-201, MCA.
7. Roseen collected commissions and fees from Montana investors totaling at least \$4,770.79 without proper registration or the benefit of an exemption to conduct business as a securities salesperson in Montana in violation of § 30-10-201, MCA.

8. Welch transacted at least 272 securities transactions in accounts owned by Montana investors without proper registration or benefit of an exemption as a securities salesperson to conduct such business in Montana in violation of § 30-10-201, MCA.

9. Welch collected commissions and fees from Montana investors totaling at least \$18,635.89 without proper registration or the benefit of an exemption to conduct business as a securities salesperson in Montana in violation of § 30-10-201, MCA.

10. D. and B. Bonga transacted at least 52 securities transactions in accounts owned by Montana investors without proper registration or benefit of an exemption as a securities salesperson to conduct such business in Montana in violation of § 30-10-201, MCA.

11. D. and B. Bonga collected commissions and fees from Montana investors totaling at least \$14,723.06 without proper registration or the benefit of an exemption to conduct business as a securities salesperson in Montana in violation of § 30-10-201, MCA.

12. Rothschild, Donald Roseen, John Welch, Dale Bonga and Bart Bonga executed 439 securities transactions in thirteen accounts of Montana investors and collected commissions and fees totaling at least \$38,129.74 without disclosing the facts that neither the firm nor the salesperson were properly registered in Montana to transact securities business in violation of § 30-10-301(1)(b) and (c), MCA.

PUBLIC INTEREST

For any and all of the reasons set forth above, it is in the public interest and will protect Montana investors to:

1. Issue a cease and desist order barring Rothschild, Roseen, Welch, D. Bonga, and B. Bonga from further violations of the Act;

2. Order the denial of registrations and licenses for Respondents until resolution of this case.
3. Order Respondents to pay administrative fines in an amount and upon such terms and conditions as supported by the evidence and determined at hearing of this matter;
4. Order Respondents to pay restitution to the Montana investors who experienced activity in their accounts while Respondents were not properly registered to conduct securities salesperson or broker-dealer business in Montana, including the statutory 10% interest from the date of the wrong-doing; and
5. Take such other actions which may be in the public interest and necessary and appropriate for the protection of Montana investors.

RELIEF SOUGHT

1. Order Respondents to pay fines not to exceed \$5,000 for each identifiable violation of §30-10-201, MCA, pursuant to § 30-10-305 (3), MCA.
2. Order Respondents to pay fines not to exceed \$5,000 for each identifiable violation of §30-10-301 (1) (b), MCA.
3. Order Respondents to pay fines not to exceed \$5,000 for each identifiable violation of §30-10-301 (1) (c), MCA.
4. Order Respondents registration and license in Montana be denied for violating the provisions of §§ 30-10-201 and 301, MCA;
5. Order Respondents to pay restitution to the Montana investors who experienced activity in their accounts while Respondents were not properly registered to conduct securities salesperson or broker-dealer business in Montana, including the statutory 10% interest from the date of the wrong-doing;

6. Any other such relief allowed by law or required by justice.

STATEMENT OF RIGHTS

You are entitled to a hearing to respond to this notice, present evidence and arguments on all issues involved in this case. You have a right to be represented by an attorney at any and all stages of this proceeding. You may demand a formal hearing before a hearing examiner appointed by the Commissioner pursuant to the Montana Administrative Procedure Act, § 2-4-601, MCA, and following, including § 2-4-631, MCA. If you demand a hearing, you will be given notice of the time, place and the nature of the hearing.

If you want to contest the proposed action under the jurisdiction of the Commissioner, you must advise the Commissioner within fifteen (15) days of the date you receive this notice. You must advise the Commissioner of your intent to contest the proposed action by writing to Roberta Cross Guns, Special Assistant Attorney General, State Auditor's Office, 840 Helena Avenue, Helena, Montana 59601. Your letter must clearly indicate whether you demand a hearing, or whether you waive formal proceedings and, if so, what informal proceedings you prefer for disposition of this case. Pursuant to § 2-4-603(2), MCA, you may not request to proceed informally if the action could result in suspension, revocation or any other adverse action against a professional license.

Should you request a hearing, you have the right to be accompanied, represented, and advised by counsel. If the counsel you choose has not been admitted to practice law in the state of Montana, he or she must comply with the requirements of *Application of American Smelting and Refining Co.*, (1973), 164 Mont. 139, 520 P.2d 103 and *Montana Supreme Court Commission on the Unauthorized Practice of Law v. Jerry O'Neil* (2006), 2006 MT 284, 334 Mont. 311, 147 P.3d 200.

CONTACT WITH SECURITIES COMMISSIONER'S OFFICE

If you have questions or wish to discuss this matter, please contact Roberta Cross Guns, legal counsel for the State Auditor, at 840 Helena Avenue, Helena, MT, 59601, (406)-444-2040 or, within Montana, (800)-332-6148. If an attorney represents you, please make any contacts with this office through your attorney.

POSSIBILITY OF DEFAULT

Failure to give notice or to advise of your demand for a hearing or informal procedure within fifteen (15) days, will result in the entry of a default order imposing the disciplinary sanctions against you and your license, without further notice to you, pursuant to 6.2.101, Administrative Rules of Montana and the Attorney General's Model Rule 10, 1.3.214.

DATED this 7th day of February 2008.

JOHN MORRISON
State Auditor and ex-officio
Commissioner of Securities and Insurance

By: Roberta Cross Guns
Roberta Cross Guns
Special Assistant Attorney General

CERTIFICATE OF SERVICE

I hereby certify that on the 7th day of February, 2008, a true and correct copy of the foregoing was deposited in the United States mail, postage prepaid, addressed to:

Rothschild Investment Corporation
311 S. Wacker Drive, Suite 6500,
Chicago, IL 60606

Donald Roseen
2021 West Crystal
Chicago, IL 60622

John B. Welch
One Clyde Street
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Dale R. Bonga
1012 Lexington Street
Wheaton, IL 60187

Bart R. Bonga
607 E. Prairie Avenue
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State Auditor's Office